

**Comments of NaturEner USA, LLC  
re CAISO Reliability Coordinator Draft Tariff and Draft Services  
Agreement**

<b>Company</b>	<b>Contact Person</b>	<b>Date Submitted</b>
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NaturEner USA, LLC, on behalf of its two wholly-owned, generation-only, balancing authority subsidiaries NaturEner Power Watch, LLC and NaturEner Wind Watch, LLC (NaturEner), appreciates the opportunity to comment on the CAISO’s draft Reliability Coordinator Tariff language as well as the CAISO’s draft Reliability Coordinator Services Agreement (“RCSA”) which is part of the tariff framework, each posted by the CAISO on July 18, 2018.

As NaturEner has previously stated, to fulfill the responsibility of maintaining a reliable grid for the Western Interconnection, NaturEner believes that a single RC for the entire interconnection is the best model for reliability. Since, however, it appears that the single RC regime in the Western Interconnection will no longer be maintained, NaturEner is committed to participating in the CAISO’s outreach process to ensure that its choice for RC services provides the comprehensive framework for sustainable independent decisions driven by the best interests of the Western Interconnection.

NaturEner shares the CAISO’s goals that its RC program be reliable, robust, well-defined, economical, and equitable to its potential RC Customers, and NaturEner submits these comments with the hope and intention that they help the CAISO achieve those critical attributes.

To that end, while many of these comments are applicable to all CAISO potential RC Customers, as set forth below NaturEner continues to strenuously object to the draft Tariff and its draft RCSA’s discriminatory pricing-related provisions as applied to

generation-only balancing authorities (“BAs”) which results in generation-only BAs subsidizing traditional BAs with load and transmission, and NaturEner therefore again directs a number of its comments to those important, yet currently inequitable and inappropriate, provisions.

## **Pricing-Related Comments to Draft Tariff and Draft RCSA**

### **A. The Draft Tariff’s Proposed Pricing is Discriminatory to Generation-Only Balancing Authorities.**

The draft Tariff and draft RCSA improperly discriminate against generation-only BAs. NaturEner has repeatedly brought this issue to the CAISO’s attention, in comments NaturEner submitted on May 4, 2018 to the CAISO’s “Straw Proposal”, in comments NaturEner submitted on July 11, 2018 to the CAISO’s “Final Rate Design Proposal”, and in oral comments NaturEner submitted to the CAISO’s Board of Governors at the CAISO’s July 26, 2018 Board Meeting.

During the CAISO’s July 26 Board of Governors Meeting the CAISO attempted to justify this improper treatment by alternating among various theories, (i) vaguely stating that operational engineering analysis it had performed justified the inequitable treatment towards generation-only BAs, (ii) attributing the inequitable treatment to the variable nature of NaturEner’s two balancing authorities, and (iii) speculating that two separate RC areas may end up being located near NaturEner’s two existing BAs. None of the CAISO’s proffered justifications for the inequitable treatment is supportable.

#### **1. Contrary to the CAISO’s assertions of engineering support, the amount of attention and resources an RC must devote to a generation-only BA and the risk of a generation-only BA are far less than a load-serving BA**

Similar to one of the arguments it alluded to during the July 26 Governor’s meeting, in its May 31 comprehensive responses to the stakeholder input to the Straw Proposal, the CAISO claimed that “Generator Only BA’s will receive the same NERC Reliability coordinator services as those BA’s with load...” as justification for its proposal to charge generation-only BAs the same rate as other BAs. As pointed out by NaturEner in its prior May 4 and July 10 comments, mentioned again by NaturEner in its July 26 oral arguments, and discussed again below, that claimed justification by the CAISO is not true. The result is unfair and inequitable treatment for generation-only BAs, and NaturEner vigorously disagrees with the draft Tariff’s and draft RSCA’s funding calculation for generation-only BAs. The following analysis both shows the errors in the CAISO’s argument and supports NaturEner’s arguments for a more fair and equitable funding calculation for generation-only BAs.

- 1) Importantly, NaturEner's BAs (and other generation-only BAs of similar size and makeup) more closely match the CAISO definition of "Minimum charge" in that the plant(s) within the BAs have relatively low MWh volumes of generation on a relatively uncongested transmission network and currently do not require the significant level of oversight, management and contingency analysis services that a load serving BA does.
- 2) Outage coordination for non-emergency outages for our two BAs and other generation-only BAs typically amount to one clearance a year (i.e., one for each generation plant within a generation-only BA). The incremental cost of processing is next to nothing.
- 3) NaturEner's BAs do not use any hosted apps or situational awareness tools and the CAISO would be modeling and provisioning such tools whether NaturEner was an RC Services Customer or not.
- 4) Similarly data exchange for operational analysis and RT-awareness is a need for the CAISO regardless of generation-only BAs participation and these systems would be modeled and populated with data. The sunk cost for provisioning a point which will undoubtedly exist to be read or write in any data exchange system(s) has an effective marginal cost of "0".
- 5) As already recognized by the CAISO, the SOL methodology aspects of the RC Services function do not apply to a generation-only BA.
- 6) As also previously recognized by the CAISO, the system restoration coordination and training aspects of the RC Services function do not apply to a generation-only BA.
- 7) Likewise with Centralized messaging (RMT replacement), Stakeholder workgroups, and document management and exchange; the incremental cost to support generation-only BAs is negligible.
- 8) The separate "Data Exchange " item appears to be a duplicate of 4 above, but again these system and data points would need to be present whether receiving them directly from a generation-only BA or another RC and there is no additional cost involved.

- 9) Generation-only BAs do not require EOP-011 support other than a basic review of the plan, as a majority of the standard in R2 does not apply to generation-only BAs as generation-only BAs serve NO LOAD.
- 10) Power System Network modeling to support whatever advanced application is being provisioned (SE, CA, etc.) has no incremental cost associated with generation-only BAs. For example our BAs are STATIC generation-only and have not changed characteristics since going operational unlike typical load-serving BAs which continuously change internal electrical characteristics. The CAISO will undoubtedly leverage the Peak RC WWM CIM export as a starting point regardless and the incremental cost whether or not generation-only BAs participate is again zero.

The reality is that the amount of attention and resources an RC must devote to a generation-only BA and the risk of a generation-only BA are far less than a load-serving BA, and it is inequitable to charge generation-only BAs the same dollar / MWh rate as the CAISO's draft Tariff and RCSA currently propose to do.

## **2. The CAISO's Argument regarding the "Variable Nature" of NaturEner's BAs is a Red Herring**

During the July 26 Board of Governor's meeting the CAISO also attempted to justify the unfair cost the Tariff intends to impose on generation-only balancing authorities on the make-up of the generation resources in NaturEner's generation-only balancing authorities, referencing their variable nature, which apparently was meant as a reference to the fact that generating facilities located within the two BAs are wind energy facilities. Though the CAISO responded to NaturEner's discriminatory pricing claims in the CASIO's May 31, 2018 comprehensive responses to stakeholder comments, it did not refer to this theory in that response. In any event, the CAISO's July 26 variable nature argument is nothing more than an attempted distraction and moreover is without basis.

As NERC certified BAs, generation-only BAs are required to comply with applicable NERC BA standards regardless of the make-up of their generation fleet, just like any other NERC-certified BA. NaturEner's generation-only BAs are no more variable from the point of view of the RC Services which need to be provided than any other BA.

Moreover, other generation-only BAs may have an entirely different generation mix altogether from NaturEner's (e.g., the generation source of other generation-only BAs may be a synchronous generating facility), but under the CAISO's draft Tariff and RCSA

these other generation-only BAs are still proposed to be levied the same unfair generation-only BA rate. The CAISO's variability argument is irrelevant does not support its proposed unfair pricing structure.

### **3. The CAISO's Argument of the "Possibility of a Two Separate RCs in the Area" is Similarly Meritless**

As a final attempted justification for its generation-only BA rate proposal, at the July 26 Board of Governor's meeting the CAISO asserted that NaturEner's two balancing authorities may be operating in an area where there may be two separate RC areas. Again, the CAISO did not raise this argument in its May 31, 2018 comprehensive responses to the Straw Proposal comments, but instead asserted this for the first time at the July 26 Governor's meeting. And again, the argument fails.

First, it is pure speculation at this point regarding how many RC areas may end up being located near NaturEner's two generation-only BAs. Second, if there is more than one RC in the Western Interconnection, by definition there will seams within the Western Interconnection. However, if seams do end up being located in that area, there is no way to tell at this time whether these would result in any more seams in the Western Interconnection than would otherwise be present. Finally, even if there do end up being two separate RC areas near the two NaturEner generation-only BAs, this would also be true for various other traditional load-serving BAs in that area, as well as true for various other BAs in the Western Interconnection footprint who may happen to be located in an area in which two RCs operate nearby, which other BAs are not being requested to pay any greater amount due to this future possibility. The CAISO's possibility of two separate RCs in the area argument, for numerous reasons, does not justify a discriminatory pricing proposal.

Thus the draft Tariff and RCSA's provisions regarding proposed pricing for RC Services as it applies to generation only balancing authorities, including without limitation the definition of "Net Generation" and Appendix F, Section 7, must be revised to provide fair and equitable treatment to generation-only BAs.

Under the existing Funding Agreement with the incumbent RC Peak, Peak calculates the parties' fees based upon their net load. Generation-only BAs such as NaturEner's, pay a minimum annual charge of the lower of \$10,000 or 0.015% of the final funding amount for any calendar year, with the minimum charge able to be adjusted on written approval of not less than 75% of the Peak Funding Parties, with such charge however not permitted to exceed \$10,000 for any calendar year of the Initial Term. Peak's offering is justified because generation-only BAs typically have small footprints, do not operate transmission or load and thus do not require all of the RC Services provided to BAs with transmission and load, and have a limited impact to the BES.

As NaturEner previously pointed out in its various prior comments, by comparison, under the current CAISO rate proposal, using a volumetric billing determinant of Net Generation (NG) MWh for generation-only BAs, NaturEner's internal analysis indicates that NaturEner would have to pay many times its current annual cost for the CAISO's RC services as compared to what Peak is currently charging. This is contrary to the CAISO's statements that it can provide RC services at a substantially reduced cost, and in fact under this proposal, generation-only BAs will be expected to pick up a larger share of RC costs. This might make sense if generation-only BAs were a proportional driver of higher RC related expenses, but as mentioned in Section A.1 above the opposite is true. Similarly, on Page 5 of the CAISO's Final Proposal, the CAISO outlines various core RC service offerings that do not apply to generation-only BAs – thus requiring generation-only BAs to subsidize RC Services costs for other BAs.

NaturEner would like to see pricing for generation-only BAs which provides better, or at the very least equal, treatment for such BAs as compared to the current Peak Funding Agreement. The costs for the CAISO's RC services for generation-only BAs should be less (or at the very least no more) than what they currently pay to the incumbent RC.

The CAISO began its RC Services solicitation effort with the statement that it would provide services at ½ the cost or less than Peak RC customers currently pay. Instead, the CAISO's draft Final Proposal proposes to charge NaturEner, using the CAISO's recently-increased proposed rate of \$0.041 / MWh up to possibly \$0.06 / MWh anywhere up to 4-6 times higher than the rates it currently pays to Peak. We expect the CAISO to maintain its commitment to this claim and re-evaluate its position regarding generation-only BAs and the benefits they provide to the grid.

There are relatively few generation-only BAs, so the pricing adjustment to treat generation-only BAs fairly would not materially impact the CAISO's revenues, but it would make a significant difference to the cost structure and financial condition of generation-only BAs such as NaturEner's.

Though NaturEner has repeatedly requested that the CAISO revise its RC Services pricing structure to treat generation-only BAs appropriately and equitably and the CAISO so far has declined to do so, NaturEner renews its appeal that the CAISO do what is right and make these adjustments now before it gets more expensive and cumbersome to do so once it submits its proposed Tariff for approval to FERC.

## **B. The Draft Tariff Section 19.6(c)(1) and the draft RC Services Agreement Section 5.1 are Also Discriminatory to Generation-Only BAs**

Draft Tariff Section 19.6(c)(1) provides that if a generation-only BA fails to timely submit required billing data it will be charged a default rate of 1.25 times the sum of the RC Customer's installed generation capacity times a 90 percent capacity factor by 8,760 hours per year. This proposal is without basis and is extremely punitive to generation-only BAs, especially those comprised of renewal energy resources such as those located in NaturEner's generation-only BAs which resources by their nature often have a capacity factor ranging from only 40-60% - approximately ½ of the capacity factor the CAISO proposes to use.

Not only is the CAISO's proposal punitive against generation-only BAs, but again like other provisions of the draft Tariff and its draft RCSA, it is discriminatory -- as in comparison draft Tariff Section 19.6(c)(2) provides that other non-generation only balancing authorities will be charged differently and under a much more reasonable approach – i.e., a rate of 1.25 times the Net Energy for Load MWh for the volumes reported by NERC/WECC for the year prior to the effective date of the RCSA.

This same improper and inconsistent treatment is also contained in Sections 5.2.1 and 5.2.2 of the RCSA.

Again, there is no valid justification for treating generation-only BAs more harshly than load-serving balancing authorities. At the very least with respect to this sub-issue, these provisions in the draft Tariff and draft RCSA should be revised so that generation-only BAs are treated no worse than traditional, load serving BAs.

### **Non-Pricing Comments to draft Tariff**

- Section 19.1(b)(2)(A) re Tariff Obligations. As written this section is extremely broad, does not provide much assistance or clarity, and would likely be more helpful if reformatted to be written in slightly different manner. The CAISO Tariff is currently over 2,700 pages long. Instead of a general statement that all other provisions are applicable to RC Customers unless the provisions are limited in application to certain subjects, the Tariff should clearly identify which provisions are applicable.
- Section 19.1 (b)(3) re RC Services Date. While NaturEner understands that the draft Tariff needs certain flexibility to account for the fact that April 1 of a given year may be a weekend or a holiday, the statement that the "CAISO shall in its discretion determine the RC Services Date . . ." is too broad as written and

places no limits on the CAISO. The language should be tightened to limit unfettered discretion by the CAISO.

- Section 19.1 (b)(6) re Initial Onboarding Dates. The language in this provision also needs to be tightened. As written it provides a “no earlier than” dates but does not provide any – but clearly should provide - “no later than” dates. Also if any such dates have or will be adjusted, the provision needs to reflect those dates.
- The draft Tariff language and draft RCSA in numerous places items incorporate by reference content in the Business Practice Manual for RC Services. As that has yet to be issued, NaturEner reserves comment on those items, but notes that at a minimum such a manual should provide for timely, meaningful and effective input by RC Customers.
- Section 19.5(b)(2)(B) and (C) re RC Customer Obligations. These two provisions use a capitalized term “Operating Procedures” which does not appear to be defined. To avoid any possible future confusion, perhaps the term either should be defined, or if defined elsewhere a cross-reference provided, or instead not capitalized.
- Section 19.6 (e) and (f) re RC Customer Validation, and Customer Acceptance. The date the informational statement containing billing data volume for each RC Customer is published referenced in 19.6(e) must be sufficiently in advance of the November 30 date referenced in 19.6(f) for the published information to be truly meaningful and of value to an RC Customer.
- Section 19.7(d)(3) re Validation and Disputes of RC Services Invoices. First there appears to be a numbering mistake in Section 19.7(d), since it appears to be missing a subsection (2). As for the provision currently identified in subsection (3) re Validation, the deadline of five (5) business days from the date of issuance to raise a dispute is too short, and unnecessarily so, especially since the deadline is calculated from “issuance.” At least ten (10) business days is much more reasonable and appropriate.
- Section 19.7(e)(4) re Payment Pending Dispute. Though hopefully any typographical or ministerial error would have been corrected by the CAISO long before the payment due date, there is no guarantee of that. Thus, a typographical error of adding a “0” to what should be a \$50,000 invoice suddenly



results in a \$500,000 invoice, and under the current language the RC Customer is forced to pay the mistaken \$450,000 overcharge first and then wait for it to be repaid from the CAISO. There should be a way the provision can be modified to address the CAISO's and the RC Customer's equally valid and competing concerns in a more equitable manner to RC Customers.

### **Non-Pricing Comments to draft RC Services Agreement**

- Section 3.2.1 re Termination by CAISO. While NaturEner understands the need for the CAISO to protect its finances by collecting the amounts owed to it by an RC Customer who has not paid its bill for the services it receives, NaturEner is concerned that the CAISO's termination timelines may be too short, given the extreme consequences that such termination may have both on that entity whose RSCA is proposed to be terminated as well as the CAISO's other RC Customers and the Western Interconnection in general. Similarly, the termination grounds of "any material default under this Agreement" are not clearly discernable, and what constitutes a "material default under this Agreement" should both be clarified as much as possible as well as limited to the greatest extent possible.
- Section 3.2.3 re Transition Assistance. Transition assistance contemplated to be provided by the CAISO referred to in Section 3.2.3 may be essential, not only to that RC Customer but to maintaining the reliability of the Western Interconnection in general, even if the termination is the result of an RC Customer default. Accordingly, NaturEner requests that the CAISO consider revising the provision to include language in ways which the CAISO could both be protected (e.g., requiring advance payment or a form of security) and also to provide such an entity with the opportunity for needed transition assistance, and thus that Section 3.2.3 be revised to permit assistance even to RC Customers which have defaulted as long as certain reasonable requirements are met.

In closing, NaturEner thanks the CAISO again for the opportunity to submit this feedback, and hopes that the CAISO finds these comments helpful in building a reliable, robust, well-defined, economical, and equitable RC program and process.